

KKR & Co. Inc.

Credit Overview: November 17, 2020

KKR Credit Overview



\$234 billion

Total KKR Firm AUM

KKR Credit AUM
\$75 billion

~ **130** professionals across
9 cities in **7** countries

Leveraged Credit

\$43.7bn

Leveraged Loans
High Yield Bonds
Multi-Asset Class Credit
Opportunistic Credit
CLOs

Private Credit

\$22.8bn

Direct Lending
Asset-Based Finance
Subordinated Debt

Dislocation Opportunities

\$8.1bn

Deep Value
Capital Solutions
Dislocation Opportunities

Note: All information as of September 30, 2020 unless otherwise noted. Credit AUM displayed on a strategies basis rather than a vehicle structure basis.

KKR

Private Asset-Based Finance (“ABF”) Strategy

A key focus of KKR’s Private Credit platform is ABF, which seeks privately originated and negotiated transactions in underserved and mispriced asset classes

Strategy Overview

- Investments in directly originated assets that derive returns from recurring, often contractual cash flows
- We build our investment strategy around broad themes in four market segments: (i) Consumer / Mortgage Finance, (ii) Hard Assets, (iii) Small-Medium Enterprises (SME), and (iv) Contractual Cash Flows
- Invest through direct investment structures (direct portfolio / asset acquisitions or via platform investments) with the goal of optimizing an identified opportunity or asset class

Opportunity Set

- Estimated ~\$4.5 trillion ABF addressable market
- Global bank retrenchment and deleveraging post 2008 financial crisis, expanded in the wake of COVID-19
- Technology and data science fueling industry transformation
- Institutional and long-term private funding enables non-bank lenders to compete with banks
- Attractive competitive landscape for established non-bank lenders to consolidate market share
- We believe the opportunity set has the potential to provide enhanced risk-adjusted returns as a result of COVID-19 and related dislocation

KKR Advantage

- Recent track record: ABF investments have generated a 13.3% Gross IRR and 1.23x MoM as of September 30, 2020
- Established team overseeing leading global ABF platform, translating into a significant forward pipeline of opportunities from existing platform deals
- Flexible mandate with ability to adapt as market opportunity evolves
- Proprietary and thematically focused origination

Dislocation Opportunities Strategy

The KKR Dislocation Opportunities strategy seeks to invest in a select portfolio of dislocated opportunities across the public and private credit spectrum

Strategy Overview

- The strategy seeks to make investments with downside protection and targets mid-teens IRRs
- Generates unique deal flow and enables speed of execution in a volatile market while maintaining rigorous diligence
- KKR raised ~\$3bn in ~8 weeks during April and May 2020 for the flagship fund and has raised over \$1bn in separately managed and other accounts alongside the fund
- Strategy off to a strong start. As of September 30, 2020, ~50% of capital invested or committed with gross returns in excess of 35% on an unannualized basis

Opportunity Set

- Investments in high-quality companies (via Corporate, Asset-Based Finance and Real Estate credit) that have been dislocated due to market technicals or that require financing to bridge operations through periods of volatility
- Can move quickly and efficiently in moments of dislocation with investment, trading and portfolio monitoring professionals globally, actively following a universe of over 1,000 credits

KKR Advantage

- Deep rooted network of advisors and former KKR employees who have held / hold leading executive roles (e.g. CEO, COO, etcetera) and board positions in major global corporations
- Companies seeking financing want an investor with KKR's reputation and operational expertise to navigate these challenging periods
- ~560 investment and capital markets professionals across 20 offices globally, who actively contribute to idea generation

BDC Strategy – FSK and FSKR

- **Attractive portfolios trading at a discount with 9%+ yield on NAV or 14%+ yield on market price**
- **Strong Q3 performance: NAV growth (FSK 4.7%, FSKR 1.8%), growing NII dividend coverage (FSK 1.05x, FSKR .95x) and attractive capital structure with >\$1.5bn in available capital at each BDC**

Platform Highlights

- \$15bn of assets in FS KKR BDC platform
- Ability to make individual investments up to \$1bn
- Direct access to full KKR investment network
- Cumulative KKR Credit Commitments of approximately \$33bn⁽¹⁾
- Below average loss rate of 0.74%⁽²⁾

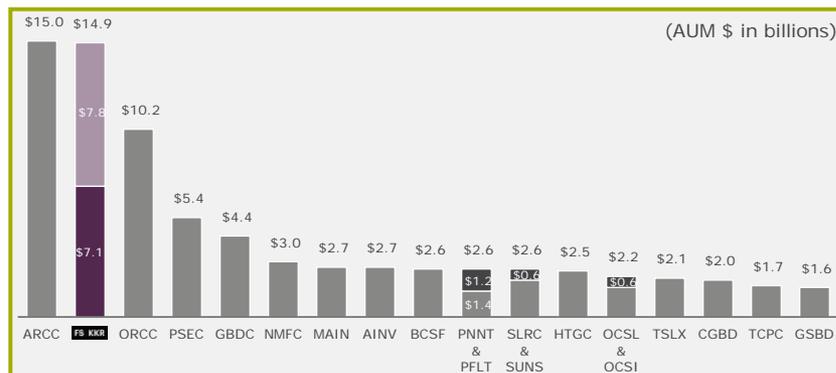
Strong Portfolio Construction

- Diverse portfolios
 - Portfolio company concentration
 - No industry concentrations
- Senior secured focused
- Lead lender in >95% of total deals⁽⁴⁾
- Strong liquidity and capital structures

Good Trading Entry Point⁽³⁾

	Price / Book	Total Assets (\$bn)	Dividend Yield
Ares	.94x	15.0	10.3%
Owl Rock	.93x	10.2	10.6%
FSKR	.62x	7.8	14.4%
FSK	.67x	7.1	16.5%
Golub	.98x	4.4	10.1%

Scaled Platform



Note: All information as of September 30, 2020 unless otherwise indicated. FS KKR Capital Corp. (NYSE: FSK) and FS KKR Capital Corp. II (NYSE: FSKR) are publicly traded business development companies (BDCs) that are advised by FS/KKR Advisor, LLC, which is an investment adviser jointly owned by KKR and Franklin Square Holdings, L.P.

- (1) Gross dollars invested inclusive of new transactions, follow-ons, and delayed draws and represents the aggregate amount of capital that has been invested by all of KKR Credit's investment vehicles in private credit strategies and is used as a measure of investment activity for KKR Credit in a given period.
- (2) Loss rate is Default Rate Recovery. KKR total recovery calculated as local currency cash on cash for both i) life of defaulted investment plus ii) any defensive investments made after default; for 2011–3Q'20; number includes interest, fees, principal proceeds, and related expenses. Default is constant default rate for 2011–3Q'20.
- (3) Bloomberg as of November 13, 2020.
- (4) Figure based on count of Direct Origination investments only. KKR & BDC accounts' participation, KKR Capital Markets' involvement, and deal teams leading the negotiations / structuring are all considered when determining the Origination Role.

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